

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-08 EA-10 FRB-03 INR-10 NEA-10 NSAE-00 ICA-11  
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00  
OMB-01 SS-15 STR-07 NSC-05 XMB-02 DOE-15 SOE-02  
/141 W

-----118160 210700Z /14

R 201513Z APR 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 6122  
INFO ALL EC CAPITALS  
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 07699

USEEC

ALSO FOR USDEL MTN GENEVA

E.O.11652: GDS  
TAGS: EAID, ETRD, EEC  
SUBJECT: POTENTIAL INTERACTION BETWEEN EC INDUSTRIAL  
-- AND DEVELOPMENT COOPERATION POLICIES

REF: (A) BRUSSELS 6091 (B) 77 BRUSSELS 6752

1. MISSION HAS RECENTLY REPORTED ON THE EMERGING EC INDUSTRIAL POLICY SPEARHEADED BY EC COMMISSIONER FOR INDUSTRIAL AFFAIRS, DAVIGNON (E.G., REF A). IN CONJUNCTION WITH COMMUNITY'S PRESENT FOCUS ON INTERNAL ECONOMIC ADJUSTMENT PROBLEMS, INCLUDING RESTRUCTURING OF OBSOLESCEMENT INDUSTRIAL CAPACITY, THERE IS A COMPLEMENTARY EFFORT WITHIN THE COMMISSION TO ANALYZE THE IMPACT OF EC DEVELOPMENT COOPERATION POLICIES ON THE DOMESTIC ECONOMIC WELFARE OF THE NINE. MAIN OBJECTIVES OF THIS ANALYSIS ARE TO: (A) DETERMINE WHETHER THE EC'S INTERNAL AND EXTERNAL POLICIES  
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ARE GENERALLY COHERENT AND CONSISTENT; AND (B) IDENTIFY POTENTIAL LINKS BETWEEN EFFORTS TO COPE WITH EC-9 EMPLOYMENT AND OTHER PROBLEMS CAUSED BY PROLONGED ECONOMIC RECESSION AND LONGER-TERM TRADE AND AID POLICIES TOWARD THE THIRD WORLD.

2. THE COMMISSION'S ACTIVITIES IN THIS FIELD, UNDER THE

OVERALL DIRECTION OF EC COMMISSIONER FOR DEVELOPMENT CHEYSSON, FALL UNDER, IN THE COMMISSION'S JARGON, THE HEADING "RECIPROCAL IMPLICATIONS OF THE COMMUNITY'S DEVELOPMENT COOPERATION POLICY AND ITS OTHER POLICIES" (REF B). AT PRESENT, CHEYSSON AND OTHERS IN THE COMMISSION ARE ATTEMPTING TO SENSITIZE ECONOMIC AND POLITICAL ACTORS IN THE EC MEMBER STATES TO THE NEED TO EXAMINE THESE ISSUES AT THE COMMUNITY LEVEL. WE ARE TOLD THAT AT A LATER STAGE, I.E., SEVERAL MONTHS FROM NOW, COMMISSION HOPES TO DISTILL CERTAIN OPERATIONAL MEASURES FROM DISCUSSIONS AND ANALYSIS PERFORMED BY COMMISSION, COREPER AND MEMBER STATE EXPERTS IN THIS FIELD.

3. AS PART OF PRESENT "CONSCIOUSNESS RAISING" PHASE OF COMMISSION'S EFFORTS FOUR QUESTIONS HAVE BEEN POSED FOR EC DEVELOPMENT MINISTERS' CONSIDERATION AT APRIL 25 SESSION OF DEVELOPMENT COUNCIL. THESE QUESTIONS, WHICH SUMMARIZE THE CORE ISSUES INVOLVED IN THE WORK ON RECIPROCAL IMPLICATIONS, ARE AS FOLLOWS:

- IS IT DESIRABLE TO DIFFERENTIATE BETWEEN THE VARIOUS CATEGORIES OF DEVELOPING COUNTRY IN THE IMPLEMENTATION OF EC COOPERATION POLICIES?
- CAN A RELATIONSHIP BE ESTABLISHED BETWEEN THE GRADUAL LIBERALIZATION OF TRADE WITH DEVELOPING COUNTRIES AND THE IMPLEMENTATION OF A COMMUNITY POLICY OF STRUCTURAL ADJUSTMENT?
- WHAT FORM OF INDUSTRIALIZATION IS THE COMMUNITY

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ENCOURAGING IN THE DEVELOPING COUNTRIES THROUGH ITS COOPERATION POLICIES?

- CAN PUBLIC DEVELOPMENT AID BE A MEANS OF ACCELERATING WORLD ECONOMIC ACTIVITY AND COMMUNITY EMPLOYMENT POLICIES?

THUS FAR, MEMBER STATE REACTION TO THE ISSUES POSED BY THE COMMISSION FOR DISCUSSION HAS BEEN INCONCLUSIVE, REPORTEDLY DUE TO THE COMPLEXITIES AND AMBIGUITIES INVOLVED.

4. A MEMBER OF CHEYSSON'S STAFF TELLS US THAT ONE OF CHEYSSON'S MOTIVES IN PROMOTING GREATER "COHERENCE," IN THE MEDIUM TO LONGER TERM, BETWEEN EC'S INDUSTRIAL POLICY AND ITS DEVELOPMENT COOPERATION EFFORTS IS TO ENHANCE "CREDIBILITY" OF COMMUNITY'S RELATIONS WITH THIRD WORLD. CHEYSSON REPORTEDLY WAS TROUBLED BY IMPLICATIONS FOR EC RELATIONS WITH ITS MASHREK AND MAGHREB PARTNERS OF 1977 EC RESTRICTIONS IMPOSED ON TEXTILE IMPORTS FROM LDC'S. IN THE VIEW OF THE DEVELOPMENT COMMISSIONER AND OTHERS IN THE COMMISSION, IF CURRENT EC PROGRAMS AND POLICIES IN THE DEVELOPMENT COOPERATION FIELD ARE TO BE CONTINUED (IN THE FACE OF SUSTAINED RECESSION IN EUROPE AND ELSEWHERE) GREATER KNOWLEDGE AND AWARENESS BY EC MEMBER

STATES AND THEIR PUBLICS OF THE IMPLICATIONS FOR THE NATIONAL ECONOMIES AND SOCIAL STRUCTURES OF THE NINE OF THE EC'S PREFERENTIAL TRADE POLICIES AND SIMILAR PRACTICES WILL BE REQUIRED. ONLY BY ADVANCE PLANNING, IN OTHER WORDS, CAN POTENTIAL FURTHER PROTECTIONIST "SHOCKS" BE AVOIDED, WHETHER VIS-A-VIS SOUTHERN MEDITERRANEAN ASSOCIATED STATES, LOME CONVENTION PARTNERS, OR NON-ASSOCIATED LDC'S IN SOUTHEAST ASIA.

5. COMMENT: MISSION BELIEVES THAT COMMISSION'S THOUGHTS OUTLINED ABOVE, DESPITE A GESTATION PERIOD OF OVER A YEAR, ARE STILL PRELIMINARY AND SOMEWHAT DIFFUSE. NEVERTHELESS, WE HAVE ALREADY SEEN SOME OPERATIONAL "SPILLOVER" OF CHEYSSON'S THINKING AS REGARDS, FOR EXAMPLE, THE CONFIDENTIAL

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INFO ALL EC CAPITALS  
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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 07699

NOTION OF INTRODUCING A REFERENCE TO LDC ADHERENCE TO CERTAIN UNIVERSALLY RECOGNIZED ILO LABOR STANDARDS IN THE PROPOSED COMMUNITY NEGOTIATING MANDATE FOR LOME II (BRUSSELS 2739). WE ALSO NOTE THAT A FEBRUARY COMMISSION COMMUNICATION TO THE JOINT COUNCIL OF FOREIGN AFFAIRS AND FINANCE MINISTERS CONTAINED REFERENCE TO THESE MATTERS IN

CONNECTION WITH PROPOSED "MEDIUM TERM BUDGET PRIORITIES  
AND GUIDELINES".

6. COMMISSION'S DESIRE TO BRING GREATER COHERENCE TO ITS  
DOMESTIC AND OVERSEAS DEVELOPMENT POLICIES FOR THE LONG  
TERM IS UNDERSTANDABLE, BUT THE DIRECTIONS CURRENTLY  
BEING SUGGESTED BY THE COMMISSION COULD BE BASED PARTLY  
ON OVERLY PESSIMISTIC ASSUMPTIONS REGARDING THE PRESENT  
AND FUTURE STATE OF WORLD ECONOMIC RELATIONS. IN ANY  
CASE, SOME ASPECTS OF COMMISSION ACTIVITIES IN THIS  
REGARD ARE ALREADY WELL KNOWN TO WASHINGTON--E.G.,  
EFFORT CURRENTLY UNDERWAY BY COMMISSION'S DG-I, WITH  
U.S. AND OTHERS IN THE MTN, TO SEEK TO DEFINE A POLICY  
OF "GRADUATION" OF LDC'S AWAY FROM PREFERENTIAL TREAT-  
MENT. MOREOVER, U.S. AND EC HAVE HAD BROADER DISCUSSIONS  
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ON NEED TO WORK OUT COMMON APPROACHES TO PROBLEMS WHICH  
ARISE FROM INCREASED TRADE AND ECONOMIC IMPACT OF LDC'S.  
USG MAY WISH TO SOUND OUT COMMISSION FURTHER ON ITS  
THINKING, PERHAPS DURING NEXT ROUND OF US-EC HIGH LEVEL  
CONSULTATIONS IN BRUSSELS MAY 25-26. END COMMENT.  
HINTON

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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